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MARYLAND HEALTH CARE COMMISSION

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August 22, 2019

VIA E-MAIL AND REGULAR MAIL

James C. Buck, Esquire
Gallagher, Evelius & Jones, L.L.P.
218 North Charles Street, Suite 400
Baltimore, Maryland 21201

Re: Request for Exemption from Certificate of Need Review
Conversion of Edward W. McCready Memorial Hospital to a
Freestanding Medical Facility – Matter No. 19-19-EX010

Dear Mr. Buck:

Maryland Health Care Commission staff has reviewed the July 30, 2019 request of Edward W. McCready Memorial Hospital (“McCready”) and Peninsula Regional Medical Center, Inc. (“PRMC”) for an exemption from Certificate of Need (“CON”) review for the proposed conversion of McCready, a general hospital, to a freestanding medical facility (“FMF”). Based on its review of the information contained in this request, staff has the following questions and requests for additional information or clarification:

Project Description

1. On Page 2, the applicants state that the proposed FMF will maintain “nearly” the same level of emergency and observation services currently offered at the hospital. Please provide more information on the differences between the current level of services and those being proposed for the FMF.
2. The Project Description states that the FMF will house “regulated clinic with exam rooms.” What is a “regulated clinic”?
3. Which of the services listed in the Project Description are proposed to be rate-regulated? Has HSCRC confirmed its willingness to extend that recognition?

COMAR 10.24.19.04C(5) Information regarding charges

4. The exemption request states that PRMC policy states that a list of hospital charges are posted on the PRMC website. Please provide the website address where charge information can be found.
5. For each subpart (a, b, and c) of this standard, provide the language from the policy that meets the standard, as well as a citation to where in the policy that language can be found.

COMAR 10.24.19.04C(6) Charity Care Policy

6. Similarly, for each of the following subparts of this standard, provide the language from the policy that meets the standard, as well as a citation to where in the policy that language can be found.

	Quote from the policy	Section citation
10.24.01.04A(2) (2) Charity Care Policy. Each hospital shall have a written policy for the provision of charity care for indigent patients to ensure access to services regardless of an individual's ability to pay.(a) The policy shall provide:		
(i) Determination of Probable Eligibility. Within two business days following a patient's request for charity care services, application for medical assistance, or both, the hospital must make a determination of probable eligibility.		
(ii) Minimum Required Notice of Charity Care Policy.		

Public notice of information regarding the hospital's charity care policy shall be distributed through methods designed to best reach the target population and in a format understandable by the target population on an annual basis;		
Notices regarding the hospital's charity care policy shall be posted in the admissions office, business office, and emergency department areas within the hospital.		
Individual notice regarding the hospital's charity care policy shall be provided at the time of preadmission or admission to each person who seeks services in the hospital.		

7. The standard states that, "within two business days following a patient's request for charity care services, application for medical assistance, or both, the hospital must make a determination of probable eligibility." Page 11 of the application states that "Preliminary eligibility will be made within two business days based on receipt of sufficient information to determine probable eligibility." Please define what is meant by "receipt of sufficient information to determine probable eligibility."

COMAR 10.24.10.04A(3) Quality of Care

8. Please provide documentation that both PRMC and McCready Hospital are: (i) Licensed, in good standing, by the Maryland Department of Health and Mental Hygiene; (ii) Accredited by the Joint Commission; and (iii) In compliance with the conditions of participation of the Medicare and Medicaid programs.

COMAR 10.24.19.04C(8)(c) Community Needs Assessment

9. Provide a description of the post-discharge care management and care coordination services that will be available for FMF patients.
10. What additional comprehensive outpatient medical services will be made available to the community supported by the FMF due to its affiliation with PRHS?

COMAR 10.24.19.04C(8)(d) Number and size of treatment spaces

11. Provide an explanation of the reasoning and assumptions underlying the projection that an ED operation that is detached from a general hospital is likely to see the same number of patients as it saw as part of a general hospital, given that higher acuity patients might be expected to be redirected to hospital EDs after the conversion.
12. On page 24 of the application, you reference the ACEP guidelines, noting that those guidelines recommend 8 rooms for 10,000 visits (1250 visits per room annually) at the "low range;" you go on to state that the proposed seven emergency treatment spaces for about 4,700 visits per year (671 visits per room per year) is consistent with the ACEP Guide low range recommendations. A more appropriate calculation would show a need for about four treatment spaces needed for the FMF. Please explain and justify the need for the proposed seven rooms.
13. Please provide an estimate of:
 - a) the current average length of stay for patients at the ED;
 - b) the percentage of behavioral health patients expected to be treated at the facility;
 - c) the percentage of geriatric patients expected to be treated at the facility.

COMAR 10.24.19.04C(8)(f) Utilization, Financial and Staffing Projections

14. Provide prose responses for each of these subparts of standard 8(f), with an answer under each subpart:
 - (i) The utilization projections are consistent with observed historic trends in ED use by the population in the FMF's projected service area;
 - (ii) The utilization projections for rate-regulated outpatient services under Health-General Article §19-201(d)(ii) and (iv) and COMAR 10.37.10.07-2 are consistent with the observed historic trends by the population in the FMF's projected service area.
 - (iii) The revenue estimates for emergency services and other outpatient services specified by the HSCRC under Health-General Article §19-201(d)(iv) and COMAR 10.37.10.07-2 are consistent with utilization projections and the most recent HSCRC payment policies for FMFs;
 - (iv) The staffing assumptions and expense projections for emergency services and any other rate-regulated outpatient services under Health-General Article §19-201(d)(ii) and (iv) and COMAR 10.37.10.07-2 are based on current expenditure levels, utilization projections, and staffing levels experienced by the applicant hospital's ED and with the recent experience of similar FMFs; and

- (v) Within three years of opening, the combined FMF and parent hospital will generate net positive operating income.
15. The new FMF will include both laboratory and imaging facilities. Will these services operate 24/7 to support the ED? Will these services be solely for the use of the FMF patients or will these services be available to non-FMF patients on a scheduled basis?
 16. Will speech and physical therapy, infusion and blood draw services be regulated in Phase 1? Will imaging services be rate regulated in Phase 2?
 17. Will the FMF facility offer the full range of outpatient and behavioral health services currently offered at the existing outpatient center? Will there be a change in the number of providers or patient capacity in either phase of the conversion?
 18. How will the closure of the McCready Hospital pharmacy affect the community's accessibility to pharmacy services?

COMAR 10.24.19.04C(8)(h) Construction Cost

19. The applicants state PRMC had commissioned a study to compare McCready renovation costs to the cost of new construction. Submit a copy of the report and a summary of the report's findings.
20. Regarding the extraordinary cost adjustments claimed for Minority Business Enterprise Premiums ("MBE") for site costs, building costs, and fixed costs, explain why it is appropriate and necessary to claim such adjustments. Why should it cost more than market rates to include MBEs in the firms constructing the proposed project?
21. Explain why the MBE adjustments were estimated at 4%.
22. The application states that there will be a premium on costs to bring contractors and materials to Somerset County that ranges from 5% to 15%. What percentage was used for the calculation of extraordinary costs? Why was this percentage chosen?

COMAR 10.24.19.04C(8)(i) More Efficient Health Care Services

23. Provide data on the yearly level of ED usage at McCready Memorial Hospital by acuity classification (level 1 – level 5).
24. Explain why a 24/7 Urgent Care clinic would not be a more efficient and cost-effective solution.
25. Will the FMF encourage use of less costly care options as an alternative for non-emergent and low acuity patients whose needs can be met outside of the emergency room? If so, how will this guidance and encouragement be implemented?

James C. Buck, Esquire

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Please submit four copies of the responses to above questions and requests for additional information within ten working days of receipt. Also submit the response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov). If additional time is needed to prepare a response, please let me know at your earliest convenience.

As with the request itself, all information supplementing the request must be signed by person(s) available for cross-examination on the facts set forth in the supplementary information, who shall sign a statement as follows: "I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief."

Should you have any questions regarding this matter, please contact me at (410) 764-3261.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Parker', with a stylized flourish at the end.

Paul E. Parker, Director

Health Care Facilities Planning & Development

cc: Steve Leonard, President and CEO, Peninsula Regional Health System, Inc.
Kathleen Harrison, CEO McCready Foundation, Inc.
Emily H. Wein, Foley & Lardner LLP
Kevin McDonald
Lori Brewster, Health Officer, Somerset County Health Department